Appn. Number 10/032,535   (Shaw, John)   GAU 3628   Amnt. C   25

REMARKS

I. Independent Claims 1, 18, 35, 51, 78, 94, 121, and 137, and Associated Dependent Claims – 35 U.S.C. 103 Rejection – Silverman '082 Modified By Kulkosky Article

A. Input Through Individual Terminals Is a Basic Operating Principle of Silverman '082.

Input through individual terminals is a basic operating principle of Silverman, emphasized time and again in his disclosure and claims. Just a few examples follow:

- "[T]he present invention includes a matching computer; **a plurality of remote terminals corresponding to a plurality of users**, wherein the remote terminals enable the users to enter transaction data and ranking data into the system" – See Col. 5, lines 35-39.

- "A method of identifying potential counterparties to a transaction according to the present invention includes the steps of receiving ranking data and transaction data from **a plurality of remote terminals corresponding to a plurality of counterparties**" – See Col. 5, lines 49-53.

Indeed, Silverman teaches against having more than one user per input path, by emphasizing in the above passages that the number of user terminals must *correspond* to the number of users/counterparties.

Altering such a basic operating principle as Silverman's individual input terminals would not be obvious, as stated in MPEP 2143.01: "If the proposed modification or combination of the prior art would change the principle of operation of the prior art invention being modified, then the teachings of the references are not sufficient to render the claims prima facie obvious. *In re Ratti*, 270 F. 2d 810, 123 USPQ 349 (CCPA 1959)".

B. Modifying Silverman '082 to Receive Indications of Interest or Prospective Transaction Entries Via An Integrated OMS Would Defeat The Functionality of His Individualized Ranking / Filtering Feature.

Key portions of Silverman's invention demand individual interaction with his system – the sort of individual interaction that is readily available through individual user terminals, but not via an integrated OMS. For example, in using Silverman's ranking/filtering feature, each user individually inputs his ranking/filtering preferences into Silverman's system. This can be easily done through individual user terminals, but not via an integrated OMS which makes use of only the data available in the OMS. The diagram below illustrates this point:
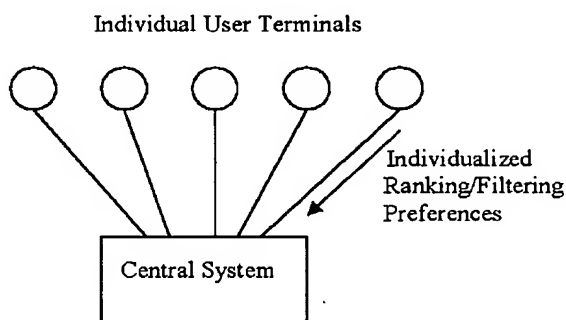
Silverman '082: A user terminal for each counterparty, which the counterparty uses to input individualized ranking/filtering preferences into the central system.
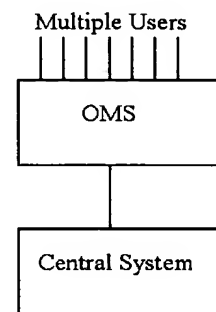
Silverman '082 with proposed integrated OMS: The OMS **blocks** receipt of individualized ranking/filtering preferences into the central system.

When you choose to integrate an existing OMS onto the front end of the '082 system, you lose the ability to dictate how initial data entry and storage will be done. Instead, you get only the information that is available in the OMS, and you do not get to receive into your central system additional information like individualized ranking and filtering data. Indeed, the only way to receive such additional information is by also modifying the OMS itself – and this certainly would not be obvious, given that these OMSs are separately-owned and not freely modifiable.

In sum, modifying Silverman to receive indications of interest or prospective transaction entries via an integrated OMS would disable or at the very least hamper his ranking/filtering feature – an important part of his invention. A modification which renders the prior art unsatisfactory is simply not obvious, as stated in MPEP 2143.01:

> "If [the] proposed modification would render the prior art invention being modified unsatisfactory for its intended purpose, then there is no suggestion or

Appn. Number 10/032,535   (Shaw, John)   GAU 3628   Amnt. C   27

motivation to make the proposed modification. *In re Gordon*, 733 F.2d 900, 221 USPQ 1125 (Fed. Cir. 1984)".

C. The Above Arguments Are Separately Applicable.

Applicant wishes to make clear that any one of the above arguments establishes nonobviousness. In other words, even if the Examiner believes that modifying '082 as proposed would not hamper the important individualized ranking/filtering feature, the proposed modification is still nonobvious because it alters a basic operating principle of '082 – input through individual terminals. Conversely, even if the Examiner believes that input through individual terminals is not a basic operating principle of '082, the proposed modification is still nonobvious because it would hamper the important individualized ranking/filtering feature.

D. The Kulkosky Article Does Not Disclose The Integration of Differently-Structured Indications of Interest.

The Office Action states on page 4, regarding the Kulkosky article, that "[t]he Order Management Systems disclosed allow for the integration of differently-structured indications of interest"; however, the Office Action provides no citation as to where in the article this discussion is. Applicant submits that nowhere does the Kulkosky article discuss differently-structured indications of interest.

II. Independent Claims 52, 62, 105, 115, 148, and 158, and Associated Dependent Claims – 35 U.S.C. 103 Rejection – Silverman '501 Modified By Silverman '082

A. Automatic Execution is a Basic Operating Principle of Silverman '501.

It would not be obvious to modify '501 to switch from automatic execution to negotiation, because automatic execution is a basic operating principle of '501, and a proposed modification is nonobvious if it alters a basic operating principle. MPEP 2143.01 states: "If the proposed modification or combination of the prior art would change the principle of operation of the prior art invention being modified, then the teachings of the references are not sufficient to render the

<u>Appn. Number 10/032,535</u>   (Shaw, John)   <u>GAU 3628</u>   <u>Amnt. C</u>   28

claims prima facie obvious. In re Ratti, 270 F. 2d 810, 123 USPQ 349 (CCPA 1959)".

The following passages, among others, in the '501 disclosure make clear that automatic execution is a basic operating principle:

- "Bids are automatically matched against offers for given trading instruments *for automatically providing matching transactions in order to complete trades*". See Abstract.

- "[B]uyers and sellers who are willing to trade with one another based on specified criteria, such as price, quantity, and credit, **may automatically trade when matching events occur satisfying the criteria**". See Col. 1, lines 20-24.

- **"If a match is found ... then the trade is automatically executed".** See Col. 7, lines 13-15.

- "[N]one of these prior art systems implements or suggests the use of credit controls to determine the quantity of permissible match at the lowest common credit limit and the best bid/ask price for the largest available quantity **to automatically complete a match at trade**". See Col. 1, line 64 .

- "The host computer ... determines the quantity of permissible match ... and the best bid ask price for the largest available quantity **for automatically completing the potential matching transaction**". See Col. 4, lines 6-11.

- **"The host computer ... processes the matching transactions** for a given trading instrument in time order entry to the matching system". See Col. 4, lines 12-15.

- "Credit controls are used to determine the quantity of permissible match at the lowest common credit limit and the best bid/ask price for the largest available quantity **to automatically complete a matched trade**". See Col. 6, lines 39-44.

Appn. Number 10/032,535   (Shaw, John)   GAU 3628   Amnt. C   29

Importantly, these quotes do not just *mention* automatic execution. Instead, they use terms such as "for" and "to" in connection with automatic execution, which indicates that automatic execution is not a mere aspect of '501 but rather the primary objective. For example, "The host computer ... determines the quantity of permissible match ... and the best bid ask price for the largest available quantity **for** automatically completing the potential matching transaction", and "Bids are automatically matched against offers for given trading instruments **for** automatically providing matching transactions in order to complete trades".

In sum, the proposed modification is not a minor change that might be considered obvious. It doesn't merely add a feature that was missing from Silverman '501. Instead, it involves a major revamping of the very way that Silverman '501 operates. The proposed modification removes something that is central to the very being and purpose of '501, and replaces it with something entirely different. Such a modification is simply not obvious, as confirmed in the MPEP and case law.

During the interview, Examiner posited that the use of credit controls could be considered to be '501's major operating principle, and not automatic execution. However, credit controls are inextricably linked to automatic execution in '501. Indeed, the very reason '501 introduces credit controls is to ensure that automatic execution can occur, as shown in the following (repeated from above):

- **"Credit controls are used** to determine the quantity of permissible match at the lowest common credit limit and the best bid/ask price for the largest available quantity **to automatically complete a matched trade"**. See Col. 6, lines 39-44.

- **"[N]one of these prior art systems implements or suggests the use of credit controls** to determine the quantity of permissible match at the lowest common credit limit and the best bid/ask price for the largest available quantity **to automatically complete a match at trade"**. See Col. 1, line 64 .

Thus, the use of credit controls only *reinforces* the plain fact that automatic execution is a basic operating principle of '501.

B. Moreover, Silverman '501 Teaches Against the Proposed Modification, Both Explicitly and Implicitly.

See Col. 1, lines 41-47 of Silverman '501, which state: "Of course, conversational dealing systems have their place in the market and serve particular needs where appropriate. However, anonymous matching systems are also often desired and, *by their very nature*, do not normally employ a conversation capability since the parties to the transactions are unknown until the transaction has been completed".

Here, Silverman is *distinguishing* '501 from previous patents that had conversational/negotiation features. He's saying that anonymous matching systems – like '501 and the present invention – by their very nature do not have conversational/negotiation features, because conversational/negotiation features make it too hard to maintain anonymity. In sum, Silverman deems it *unnatural* and *abnormal* for an anonymous matching system like '501 to also allow negotiation.

In addition to explicitly teaching against the proposed modification, Silverman '501 also implicitly teaches against it, because the whole point of the '501 patent is to leave nothing open for discussion, so that automatic execution can take place. Indeed, as discussed above, the very purpose of 501's credit control feature is to ensure that automatic execution can take place without being hampered by credit concerns.

Put differently, the purpose of a key feature of Silverman '501 (indeed, the feature that distinguishes it over the prior art) is to ensure smooth automatic execution, and this further demonstrates that modifying '501 to switch from automatic execution to a negotiated system would not be obvious.

C. There Are Many Disadvantages to a Negotiated System That Negate the Office Action's Cited Advantage, and Counter Any Motivation to Switch '501 From an Automatic Execution System to a Negotiated System.

The Office Action states an advantage of a negotiated system, and alleges that this advantage provides motivation to switch '501 from an automatic execution system to a negotiated system (see page 15).

Appn. Number 10/032,535 _____   (Shaw, John)   GAU 3628 _____   Amnt. C   31

Well, there are many disadvantages that more than counter any advantage that might be gained from negotiation – e.g., higher costs, lower efficiency, lower speed of execution, fewer transactions/lower throughput, harder to maintain anonymity, etc. These disadvantages make the proposed modification hardly obvious.

In short, automatic execution and negotiation are two distinctly different approaches, each with its own advantages and disadvantages. A negotiation system is certainly not inherently better than an automatic execution system – in fact, as shown above it is inferior in several respects. Switching Silverman '501 to a negotiated system would thus not be obvious.

In the interview, the Examiner posited that the motivation to modify '501 from automatic execution to a negotiated system might come from Silverman '082. However, Silverman '082 merely points out a disadvantage of automatic execution systems like '501, and does not in any way suggest *modifying* '501 to switch it to a negotiated system. Instead, the tenor of the discussion in '082 is that the two systems are distinctly different, and not that one should be obviously modified into the other.

It must also be pointed out that *the Office* certainly considered Silverman's negotiated system to be novel and nonobvious versus previous automatic execution systems, because it granted Silverman the '082 patent. And the present invention is, in turn, patentably distinct from '082, because of its security feature which is not present in '082 and which it would not be obvious to add to '082.

D.   The Above Arguments Are Separately Applicable.

As in Section I, Applicant wishes to make clear that any one of the above arguments establishes nonobviousness. In other words, even if the Examiner believes that '501 does not teach against the proposed modification, the proposed modification is still nonobvious because it alters a basic operating principle of '501 – automatic execution.

And if the Examiner believes that '501 does not teach against the proposed modification *and* that automatic execution is not a basic operating principle of '501, the proposed modification is still nonobvious because there is no motivation to combine – automatic execution and negotiation systems are distinctly different, each with its own advantages and disadvantages. In fact, switching '501 to a negotiated system would bring more *disadvantages* than advantages.

E. Dependent Claims 56 & 65: Neither Silverman '501 nor '082 Discloses the "User Page" Data Security Component / Restricted Access Means Defined in These Claims, and Thus a Combination of the Two Would Also Not Disclose This Feature.

The Office Action (page 17) states that Col. 5, lines 17-18 of Silverman '501 discloses the user page feature. However, this passage states only that "the directed messages which are sent from the central system or host are directed back only to the keystations involved in the actual matching transaction". That does not describe the user page structure defined in these claims.

III. MINOR AMENDMENTS TO CLAIMS

Applicant has amended a few of the claims to change "remote user terminals" to "remote user locations", in order to ensure consistency in the claim terminology and proper antecedency between independent and dependent claims.

IV. DEPENDENT CLAIMS

Finally, because independent claims 1, 18, 35, 51, 52, 62, 78, 94, 105, 115, 121, 137, 148, and 158 now define patentably over the prior art, their respective dependent claims 2-17, 19-34, 36-50, 68-77, 53-61, 63-67, 79-93, 95-104, 106-114, 116-120, 122-136, 138-147, 149-157, and 159-163 also define patentably for the same reasons.

INVENTOR INTERVIEW SUMMARY

Pursuant to MPEP § 2281, Inventor hereby adopts the substance of the 1/6/06 interview noted on the Interview Summary. Specifically, an in-person interview took place between Inventor, Examiner, and a Senior Examiner. All the independent claims were discussed. Examiner agreed to reconsider the rejections upon the filing of a formal amendment containing the arguments presented in the interview.
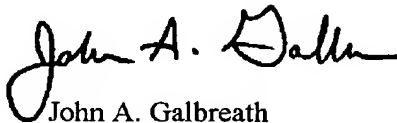
Appn. Number 10/032,535   (Shaw, John)   GAU 3628   Amnt. C   33

CONCLUSION

For all of the above reasons, Applicant requests reconsideration of the obviousness rejections. Applicant submits that the claims all define patentably over the prior art. Therefore Applicant submits that this application is now in condition for allowance, which action it respectfully solicits.
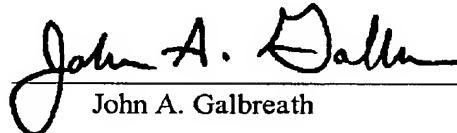
Respectfully,

John A. Galbreath
Reg. #46,718

Galbreath Law Offices, P.C.
2516 Chestnut Woods Court
Reisterstown, MD 21136
Tel. (410) 628-7770

Certificate of Fax Transmission: I certify that on the date below, this document and referenced attachments, if any, was faxed to the U.S. Patent Office at 571-273-8300.

11 January 2006

John A. Galbreath